



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**

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Statement of
THEODORE E. LIU
Director
Department of Business, Economic Development, and Tourism
before the
HOUSE COMMITTEE ON ENERGY AND ENVIRONMENTAL PROTECTION
Tuesday, February 2, 2010
8:30 AM
State Capitol, Conference Room 325
in consideration of
HB 2643
RELATING TO CLEAN ENERGY BONDS.

Bill No. 2643
Support **Y N X**
Date 2/1
Time 2030
Cat **AF AS AX B**
Type **1 2 WI**

Chair Morita, Vice Chair Coffman, and Members of the Committee.

The Department of Business, Economic Development, and Tourism (DBEDT) notes that the property assessed clean energy bond financing program established in HB 2643, is similar to the Hawaii Clean Energy Investment (HECI) bond program established in HB 2531, an Administration bill which we prefer.

The proposed Hawaii Clean Energy Investment (HECI) bond program (hereinafter referred to as "the program") allows the proceeds of state-issued bonds to be loaned through professional energy services companies to commercial and residential property owners for the installation of renewable energy and energy-efficient systems on their property. These loans are repaid over a prescribed time period through an annual or semi-annual assessment on the property taxes for the improved property. The financial savings resulting from such clean energy improvements should wholly offset the additional cost of these assessments; in fact, those who implement these improvements should have net savings.

In summary, the advantages of the program are:

- Provides home- and business-owners with access to the upfront capital to invest in energy efficiency installation and retrofits, thereby eliminating a major barrier to broad societal adoption of energy conservation;
- Enables the state to achieve the Energy Efficiency Portfolio Standard enacted in the 2009 Legislative Session;
- Through energy conservation achieved, displaces spending on imported foreign oil thereby keeping hundreds of millions of dollars at home circulating in the Hawaii economy;
- Creates economic activity and jobs at a time when Hawaii most needs it;
- Supports the growth of a local clean energy business sector; and
- Proper deployment of a government facilitation policy and financing advantage that is no-cost and a win-win-win.

Energy conservation through adoption of energy efficiency technologies, such as solar hot water heating, efficient lighting, insulation and so forth, has been validated as the investment that has the most immediate and effective return on the investment for homeowners and businesses. These are investments that “pays for itself” rapidly and then continues to payback over the life of the improvements. However, even prior to the current economic downturn, the single biggest barrier to making these investments is the upfront investment costs. Tax credits, such the ones adopted in Hawaii, are helpful to offset a portion of these costs, but owners need to put up 65% or more of the costs and have net income against which to offset the tax credit.

The proposed Hawaii Clean Energy Investment (HECI) bond program eliminates this barrier by providing homeowners or businesses with the necessary up-front capital. The department also intends to administer the program proposed in this bill to provide lower-income

property owners with access to low interest financing. Because the financing is secured on the property, the traditional creditworthiness of these borrowers is less an issue. These lower-income property owners will benefit the most from savings on monthly electric bills as a result of the improvements.

Moreover, as demand for energy efficiency and renewable energy installation increases, private contractors will need to hire new employees to meet the demand. DBEDT is confident that this program will create jobs at a time when they are sorely needed. This program may also encourage local entrepreneurs to create new businesses in the clean energy sector, thus creating more career opportunities for Hawai'i residents. The program is a win-win-win for property owners, private industry, and government.

DBEDT has been working closely with the U.S. Department of Energy, the National Renewable Energy Lab (NREL) and its consultants to formulate the Hawaii Clean Energy Investment bond program model specifically tailored for Hawai'i. NREL advised government officials that established and implement both the Berkeley and Boulder (programs discussed below) and have been instrumental in providing DBEDT staff with guidance and analysis relating to this measure. DBEDT staff met with NREL representatives as recent as last week (1/27/10) and they will continue to support our. We want to make participation in this program simple and cost-effective to the consumer and to do this we will be working from experts from the Colorado and California to acquire a skilled and flexible program administrator to take this program to the people.

The City of Berkeley, California was the first to initiate this program in 2007 when they, like Hawaii, were faced with the difficult task of reaching mandated clean energy goals. City officials and staff realized that property owners were burdened with sizeable up-front costs in order to install renewable energy systems on their homes or businesses. Through the issuance of

bonds, Berkeley was able to provide low interest financing to property owners and create jobs in the solar contracting industry, without having to access general funds. The Berkeley Financing Initiative for Renewable and Solar Technology (FIRST) efforts focus mainly on photovoltaic installation and it is widely known as the “Berkeley Model”.

Boulder County, Colorado also established a similar financing model within a year of Berkeley, called the Climate Smart Loan Program. The architects of the “Boulder Model” incorporated energy efficiency measures as qualified improvements in their program in addition to renewable energy systems. Coupling energy efficiency with small-scale renewable energy systems has proven successful in reducing overall energy consumption and this has become the guiding practice other states and local governments have modeled when establishing their own programs.

Several states are currently building the administrative infrastructure required to execute a program of this nature. Boulder is the most fully-developed program in the nation and the statistical and economic data they provide will assist DBEDT in steering a Hawai‘i specific model. DBEDT worked closely with the State Attorney General’s office as well as the Department of Budget & Finance to craft the Administration’s legislation and we will continue to work in partnership to bring this program to fruition. This type of program is emerging all over the country as a solution to achieving clean energy goals in tough economic times. Property assessed clean energy bonds were ranked one of the Top 10 “Breakthrough Ideas for 2010” by Harvard Business Review.

As stated in the bill, county partnership is essential to the success of this program. Through intergovernmental agreement and co-sponsorship, this program has the potential to invigorate business and economic development across the state. As previously stated, this program will create jobs and business opportunities to Hawai‘i which will help put people back

to work in all participating counties. Energy improvements made to property may also benefit the counties through increase in property values.

DBEDT urges the Committee and the Legislature to pass this bill for the above stated reasons. The program proposed by this bill will create jobs and contribute to the State's goal of realizing a clean energy future. DBEDT has already begun reaching out to the counties to inform them about the bill and its potential benefits and also to ask for their support and participation moving forward. DBEDT will continue working with the counties on this initiative and will assist them as needed as this program takes shape. In order to establish this program as expediently as possible, DBEDT will begin drafting a request for proposals for a program administrator as soon as this bill is passed. An informational forum is currently being planned by other proponents of this measure. Officials from the four counties will be invited to attend this forum in order to build partnerships and begin the process of establishing this program for the benefit of the entire State.

Thank you for the opportunity to offer these comments.



Bill No. 2643

Support Y N

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Time 15:59

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Type 1 2 WI

HAWAII BUILDING AND CONSTRUCTION TRADES COUNCIL, AFL-CIO
 GENTRY PACIFIC DESIGN CENTER, STE. 215A • 560 N. NIMITZ HIGHWAY, #50 • HONOLULU, HAWAII 96817
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NOLAN MORIWAKI
 President
 Bricklayers & Ceramic Tile Setters
 Local 1 & Plasterers/Cement
 Masons Local 630

February 1, 2010

JOSEPH O'DONNELL
 Vice President
 Iron Workers Local 625

DAMIEN T. K. KIM
 Financial Secretary
 International Brotherhood of
 Electrical Workers Local 1186

Honorable Representative Hermina M. Morita, Chair
 Honorable Representative Denny Coffman, Vice Chair
 Members of the House Committee on Energy & Environmental Protection
 Hawaii State Capital
 415 South Beretania Street
 Honolulu, HI 96813

ARTHUR TOLENTINO
 Treasurer
 Sheet Metal Workers I.A. Local 293

REGINALD CASTANARES
 Trustee
 Plumbers & Fitters Local 675

RE: **IN SUPPORT OF HB 2643**
 RELATING TO CLEAN ENERGY BONDS
 Hearing: Tues., Feb. 2, 2010, 8:30 a.m., Room 325

THADDEUS TOMEI
 Elevator Constructors Local 126

Dear Chair Morita, Vice Chair Coffman and the House Committee on
 Energy & Environmental Protection:

MALCOLM K. AHLO
 Carpet, Linoleum, & Soft Tile
 Local 1236

For the Record my name is Buzz Hong the Executive Director for
 the Hawaii Building & Construction Trades Council, AFL-CIO. Our
 Council is comprised of 16-construction unions and a membership
 of 26,000 statewide.

JOSEPH BAZEMORE
 Drywall, Tapers, & Finishers
 Local 1944

The Council **SUPPORTS** the passage of HB 2643 that establishes a
 property assessed clean energy bond financing program for
 renewable energy system and energy efficiency improvements on
 residential and commercial properties, and authorizes the issuance
 of general obligation bonds to finance the program.

RICHARD TACGERE
 Glaziers, Architectural Metal &
 Glassworkers Local Union 1889

Thank you for the opportunity to submit this testimony in
 opposition of HB 2643.

RONAN KOZUMA
 Hawaii Teamsters & Allied
 Workers Local 998

GARY AYCOCK
 Boilermakers, Ironship Builders
 Local 627

Sincerely,

LYNN KINNEY
 District Council 50
 Painters & Allied Trades
 Local 1791

W. Hong dg
 William "Buzz" Hong
 Executive Director

KALANI MAHOE
 Operating Engineers Local 3

WBH/dg

PETER GANABAN
 Laborers' International Union of North
 America Local 368

DOUGLAS FULP
 International Association of
 Heat & Frost Insulators
 & Allied Workers Local 132

Skilled Craftsmanship Makes the Difference.

HAWAII RENEWABLE ENERGY ALLIANCE

46-040 Konane Place #3816, Kaneohe, HI 96744 – Telephone/FAX: 247-7753 – Email: wsb@lava.net

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Warren S. Bollmeier II
WSB-Hawaii

Cully Judd
Inter Island Solar Supply

John Crouch
Sunpower

Herbert M. (Monty) Richards
Kahua Ranch Ltd.

**TESTIMONY OF WARREN BOLLMEIER ON BEHALF OF THE HAWAII
RENEWABLE ENERGY ALLIANCE BEFORE THE HOUSE COMMITTEE ON
ENERGY AND ENVIRONMENTAL PROTECTION**

HB 2643, RELATING TO CLEAN ENERGY BONDS

February 2, 2010

Chair Morita, Vice-Chair Coffman and members of the Committee I am Warren Bollmeier, testifying on behalf of the Hawaii Renewable Energy Alliance (HREA). HREA is an industry-based, nonprofit corporation in Hawaii established in 1995. Our mission is to support, through education and advocacy, the use of renewables for a sustainable, energy-efficient, environmentally-friendly, economically-sound future for Hawaii. One of our goals is to support appropriate policy changes in state and local government, the Public Utilities Commission and the electric utilities to encourage increased use of renewables in Hawaii.

The purpose of HB 2643 is to. HREA supports the intent of this measure and offers the following comments:

Bill No. 2643

Support **Y** **N** **X**

Date 2/1

Time 17:18

Cat **AF AS AX** **BC**

Type **1** **2** **WI**

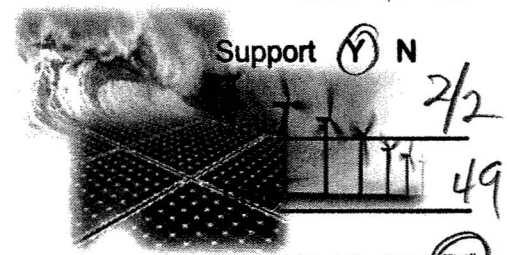
1. Section 1 (definitions). We suggest adding "micro hydro" (generally up to 100 kW) to the list of renewable energy systems.
2. Section 1 (loan program design). We are not sure how efficacious it would be to connect a state loan fund with county property tax processes. Thus, we are wondering if it might be better to transfer proceeds from the bonds to the Public Benefits Fund ("PBF") Administrator. Specifically, we understand on-bill financing, such as with PAYS®, is being considered by the Public Utility Commission for implementation by the PBF Administrator. In the case of PAYS® or other on-bill financing programs, a fund is required for implementation. For example, HECO's Solar Saver Program was funded by ratepayers. If extramural funds, such as from bonds, are available, the impact to the ratepayers could be greatly reduced.
3. Section 1 (program implementation). We agree that the PBF Administrator is a good candidate for program implementation. In that case, we recommend that the Public Utility Commission be the responsible state agency, as it already has the PBF Administrator under contract to administer Demand-Side Management ("DSM") programs, such as proposed by this measure.

Given that a number of additional revisions to this measure would be required to implement the loan program as discussed below, HREA is available to work with the Committee to draft an appropriate HD1.

Thank you for this opportunity to testify.



Bill No. 2643



Support Y N

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HOUSE COMMITTEE ON ENERGY & ENVIRONMENTAL PROTECTION Type 1 2 WI

February 2, 2010, 8:30 A.M.
Room 325

(Testimony is 2 pages long)

TESTIMONY IN STRONG SUPPORT OF HB 2643, SUGGESTED AMENDMENT

Chair Morita and members of the Committee:

The Blue Planet Foundation strongly supports House Bill 2643, a measure that makes available bond funding for energy efficiency and clean energy investments on residential and commercial properties and allows for the bond to be repaid over time through a property tax assessments on the subscribed properties.

The establishment of such a financing program, frequently called "property assessed clean energy"—or PACE, overcomes the biggest barrier to energy efficiency and clean energy investment: the up-front cost. The concept behind PACE is to make bond funding available for residential efficiency improvements and clean energy installations. The bond financing is then repaid over time through the investing residents' property tax bills. Residents benefit by having a lower total cost of home ownership immediately; the state benefits with an increase in efficiency and clean energy; and the economy benefits from having steady growth in high-tech clean energy and efficiency jobs.

Consumers have proven to be terribly short-sighted in their purchasing decisions when it comes to energy saving technologies. Despite the environmental and long-term economic advantages of converting to solar water heating, for example, only one in four Hawai'i homes take advantage of this technology. By eliminating the up-front cost and enabling residents to pay for the investment through the energy savings over time, adoption of efficiency and clean energy will accelerate. The PACE model makes such financing even easier by enabling the investment payback to be integrated in the residential property tax—keeping the default rate low.

The program works like this: proceeds from the PACE bond are lent to residential property owners to finance efficiency improvements and small renewable energy systems. Owners then repay their loans over a prescribed time period via an annual assessment on their property tax bill. The liability to repay the bond is attached to the property, rather than to the individual, as an assessment on real property.

Jeff Mikulina, executive director • jeff@blueplanetfoundation.org

55 Merchant Street 17th Floor • Honolulu, Hawai'i 96813 • 808-954-6142 • blueplanetfoundation.org

PACE bonds were ranked one of the Top 10 "Breakthrough Ideas for 2010" by Harvard Business Review. Sixteen other states have already established property assessed clean energy bond financing or loan programs and two other states have pending legislation.

This bond financing with property tax repayment for clean energy projects and efficiency investments in Hawai'i will provide jobs as well as long-term energy, environmental, and economic benefits.

"PACE bonds are also very attractive to political leaders. As opt-in solutions, they raise taxes only for the property owners who choose to take loans. Other constituents' pocketbooks are unaffected...What politician would not want to lay claim to a program that increased property values, lowered monthly utility costs, and created jobs?"

- Harvard Business Review, Jan 2010

The PACE program

will increase energy security, encourage economic diversification, provide increased career opportunities for Hawai'i residents, and attract funding and investment into the State.

SUGGESTED AMENDMENT

This measure directs the department of business, economic development, and tourism (DBEDT) to contract with a third-party administrator to manage and administer the program. Blue Planet suggests that a clause be added to subsection (d) starting on Page 5, Line 5 that limits the percentage of the funding that can be spent by the third-party administrator for administration. For example, the Public Benefits Fee Administrator, as described in §269-122, may only expend ten per cent of the collected public benefits fees in any fiscal year (or other reasonable percentage determined by the public utilities commission) for program administration. Similar language, giving DBEDT flexibility in selecting the percentage of bond funds for administration, should be included in this policy to ensure maximum energy effectiveness for the bonds.

Thank you for the opportunity to testify.



Hawaii Solar Energy Association
Serving Hawaii Since 1977

February 2, 2010
8:30 A.M.

HOUSE
COMITTEE ON ENERGY AND
ENVIRONMENTAL PROTECTION

HB 2643

TESTIMONY IN SUPPORT

Bill No. 2643

Support **Y N**

Date _____

Time _____
Mark Duda

President AS AX

Type **1 2 WI**

Aloha Chair Morita, Vice Chair Coffman, and Members of the Committee:

HSEA and its member companies sell the majority of solar systems, both PV and hot water, in the state. As a result, HSEA is highly attuned to the solar marketplace, and well positioned to understand the challenges and limitations that exist in that marketplace. From this perspective, we support the intent of this bill as well as a number of its specific provisions.

HSEA notes that the most apparent financing need in our market exists with respect to residential PV. Many customers that seek to purchase residential PV systems are either unable or unwilling to meet the up front cost of these systems, even if they are then reimbursed for a significant portion of this cost through state and federal tax credits. Meanwhile, the private market has not done a good job of filling his vacuum, either with standard home equity lines and loans, or with solar-specific lending products. There is a tremendous unmet need for financing among middle class homeowners that we expect to increase with time.

In the residential solar water heating market, this need is also significant. I personally was involved in an effort to give away ten solar hot water systems where Oahu families had only to advance about \$3,000 per system (the precise value of the tax credits they would later receive) for a few months in order to get the systems for free. A surprising number of the selected winners declined because they did not have the \$3,000 required. From this I learned that the unmet need for financing also exists on these relatively more affordable systems.

Where HSEA has concerns about the need for the program is for commercial systems. While not every commercial customer that wanted a PV system in 2009 was able to find suitable bank financing, the commercial lending market is much more fully developed than the residential one for buyers wishing to purchase PV systems. HSEA urges the committee to investigate the extent to which the commercial provisions might duplicate effort in the private market. HSEA believes that the full program amount can be deployed on residential PV, hot water and energy efficiency.

Thank you for the opportunity to testify on this measure.

Mark Duda
President, Hawaii Solar Energy Association

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About Hawaii Solar Energy Association

W Y Hawaii Solar Energy Association (HSEA) is comprised of installers, distributors, manufacturers and financiers of solar energy systems, both hot water and PV, most of which are Hawaii based, owned and operated. Our primary goals are: (1) to further solar energy and related arts, sciences and technologies with concern for the ecologic, social and economic fabric of the area; (2) to encourage the widespread utilization of solar equipment as a means of lowering the cost of energy to the American public, to help stabilize our economy, to develop independence from fossil fuel and thereby reduce carbon emissions that contribute to climate change; (3) to establish, foster and advance the usefulness of the members, and their various products and services related to the economic applications of the conversion of solar energy for various useful purposes; and (4) to cooperate in, and contribute toward, the enhancement of widespread understanding of the various applications of solar energy conversion in order to increase their usefulness to society.

W S